



YOUR VOICE AT THE IRS



National Taxpayer Advocate's Blog: Selected Comments

The [National Taxpayer Advocate's \(NTA\) Blog: Taxpayer Rights and Taxpayer Burden](#) launched on January 11, 2012. Through the blog, NTA Nina E. Olson examines a variety of tax-related topics.

Below is a selection of reader comments and feedback received. This selection of comments is not meant to be statistically representative of the larger group of comments we've received. Note that comments received will not be responded to individually.

January 9, 2013 – I think the tax complexity filing issue is right up there in importance with global warming, gun control, infrastructure repair and withdrawal from Afghanistan. How do we make Congress pay attention?

December 30, 2012 – January 5, 2013 – Hello. I read your report to congress for 2011. I agree with what was said about Americans living abroad. Forms 3520s and 3520 are extremely difficult to complete by an ordinary citizen. I do not owe any income tax in the US, but have to pay over \$1000 to have an accountant in Canada prepare my US income tax. It puts a heavy financial burden on my family. The cost of filing these forms is much more than the interest earned. This is ludicrous as I am trying to save for my children's education. I am fine with filing but it has to be easier for ordinary citizens.

December 30, 2012 – January 5, 2013 – Individual Income Tax Reform 1. Index personal exemptions to inflation. 2. Abolish ALL tax deductions and credits. 3. Abolish taxes on capital gains and dividends. 4. Have only one single tax rate. 5. Tie the tax rate to federal spending.

December 23 – 29, 2012 – I propose a sales tax on interstate retail sales not taxable by the states; this would bring interstate sales closer in line to local sales, promoting local businesses, and at the same time increase revenue in a manner to which the public is already accustomed. The provisions of the proposal are as follows: 1. There is hereby imposed a 4% tax on income from retail sales not taxable by the states because they occur in interstate or foreign commerce. 2. The Secretary of the Treasury shall have authority to promulgate regulations regarding the means of collection of this tax, which may include compensation to sellers or purchasers for administering the tax. 3. The Secretary of the Treasury shall have authority to promulgate regulations to exempt or reduce this tax by category of goods sold where such sales are already subject to a federal excise or similar tax or to export duties. 4. The Secretary of the Treasury shall have authority to promulgate regulations to exempt or reduce taxes on sales in foreign commerce by category of goods sold or country of destination where in his opinion such sales would

be in violation of any treaty or agreement with a foreign country or would have a serious adverse effect on the competitiveness of US-produced goods. 5. The Secretary of the Treasury shall have authority to promulgate regulations to exempt from this tax sales which are de minimus or made by tax-exempt organizations in furtherance of their tax-exempt purpose.

December 2 – 8, 2012 – We need to reduce the complexity of our tax system. Replace the current system with a national retail sales tax. This would reduce the number of filers by 90%. It would replace the income, payroll, corporate, gift, estate, capital gains, self-employment, and alternative minimum taxes. We have 80 legislators signed on to the Fair Tax. Join them please.

November 25 – December 1, 2012 – It is my understanding that the IRS will not accept electronic returns until January 28. I say they should not until Feb 15 as all corporations that are required to produce w2's and 1099's the forms should be into the IRS for Comparison purposes prior to ANY electronic return being filed. I also feel that brokerage houses should have an earlier deadline for the 1099R's and the like so they don't have the taxpayers waiting on necessary documents while crooks file false returns.

November 18 – 24, 2012 – Eliminate all existing deductions and credits, and then provide a 2-rate income tax system (15% and 28%). Do not tax income below the poverty threshold. For seniors, do not tax social security benefits. But on the other hand, do not provide social security benefits to those individuals that have amassed other wealth and don't need these benefits. Even though they paid into the system, they are not automatically entitled to social security benefits. This should be only a safety net - not a guarantee.

November 18 – 24, 2012 – Allow 100% of medical costs out of pocket to be deducted as a page 1 deduction. Not an itemized deduction and not subject to AGI limitations. With the ever increasing burden of medical costs, this would be a much needed change to deductions. It might even encourage taxpayers to pay medical bills in full or timelier to healthcare providers. Find a way to close the gap on cash receipts & payments for self-employed taxpayers. This is a huge problem!

November 4 – 10, 2012 – The phase out for taking rental losses has been \$125K to 150K for over 20years. How about raising the limits to promote real estate investment. Might be a boost to the housing market.

November 4 – 10, 2012 – Every American should pay a flat tax on all income (including disability income, SSI, unemployment, interest income, dividends) with a "minimum" number of deductions allowed - like maybe allowing student loan deductions, for instance. I think Americans would feel like the government is more fair if we all pay the same flat rate and all share the same stakes in making sure the government uses our money more efficiently.

October 28 – November 3, 2012 – I believe the EIC rules are strict and unfair because they penalize taxpayers who take care of children who qualify as their dependents but not for the eic. One example a taxpayer makes approx. 15k a yr. their household consists of their biological child, their boyfriend who doesn't work and his child by a different woman even though this child lives and is in every way part of the family unit all year the IRS examiners will not allow the boyfriend's child to be claimed for EIC. In America is one child more deserving than another? Do all taxpayers have to formally adopt or marry to get the same benefits as other taxpayers who are biologically related to their loved ones. This is a travesty. Another example of the spirit of a law being broken.

October 14 – 20, 2012 – The AMT needs to be revised to account for inflation. Many US household are getting penalized because the US Government is basing out AMT in income amounts which have not been adjusted in over 50 years.

October 7 – 13, 2012 – The K-1 form, originally designed for partners in MLP/LLS companies has also been designated for investors who buy stock in these type companies. This is a very sophisticated and complicated form that 99% of individual buyers of MLP/LLC stock cannot interpret correctly at tax time. To require the small investor to use and interpret a form that is designed for large corporations with all of their accounting talent is, in my opinion, a burden that should be eliminated as soon as possible. I would suggest that a new form be designed specifically for the buyers and holders of MLP/LLC stock with simplified instructions that apply only to them. There are tens of thousands of small investors that invest in these types of stocks each year. They should not have to bear the burden of interpreting the tax instructions that were designed to be interpreted by corporate CPA's. I hope you will give this your urgent attention. Thank you,

September 23 – 29, 2012 – I believe the EIC should go to taxpayers who care for family members who can not care for themselves including the elderly. The country should be aware that poor families continue to have children in order to get this credit. It should not be given to families that choose to have children and then have healthy children who do not need any special care.

September 16 – 22, 2012 – I have many clients getting hammered with late filing penalties. They come about in a number of ways - No extension on file (even when we've filed it on their behalf), short final year resulting in shortened filing due date, confusion between 9/15 and 10/15 due dates, confusion in e-filed vs. not e-filed returns. The average penalty seems to be about \$2500 but I've received them for over \$19,000. These are small businesses. \$2500-\$19000 is an excessive burden. Most if not all file their individual returns on time with the income from the pass-through entity reported correctly. It takes up a large amount of my time to respond to these notices which I do not like to bill the client for because there is no value added to the service I'm providing other than abating a useless penalty. I really hope there is some reform to repeal this penalty and alleviate this excessive burden on small business taxpayers

September 2 – 8, 2012 – Probably the most urgent issue in tax reform relates to foreign income. US citizens living abroad shouldn't even have to file forms or pay tax to the US on their foreign income. The only other country in the world that requires this of its nonresident citizens is Eritrea, and even in this case it only requires a very simple one-page form and a flat tax of 2%. 91% of Americans abroad end up owing no tax to the US anyway, but they still have to file tens of forms every year. Moreover, the complex rules about passive foreign investment corporation,

3 (continued on next page)

controlled foreign corporation, the intricate calculation of the foreign tax credit, the reports of foreign trusts, the reports of foreign gifts and inheritance, which are not even taxable, and the repetitive reports of financial accounts on multiple forms, at the risk of draconian penalties for simply not filing or filing late, do not seem to have any useful purpose. The estate and gift taxes can be completely avoided through the use of trusts, so in the end they only create paperwork burden and not tax revenue. They represent are a tiny 0.3% of the entire federal tax revenue. These taxes should be abolished and replaced with the system used during 2010, where the basis for capital gains on the inherited assets is not reset. The alternative minimum tax does not seem to achieve the purpose for which it was designed, and it creates more compliance burden unnecessarily. There are cases where form 6251 must be filed even if it does not add any tax. I would be willing to give up the deduction on my health savings account if I didn't have to file form 8889 every year, and if the overall tax system was also simplified. I like the account mostly because my health plan makes a deposit on it every month, allowing me to choose how I spend part of my premium on health care. The tax-free status is not as important for me, so I would trade it for simplifications in the areas described in the above paragraphs. I rent an apartment, so I can't use the deduction on mortgage interest or property tax. My health expenses, charitable contributions and state taxes are much less than the standard deduction so I don't deduct them either. For me, it wouldn't matter if these deductions no longer existed, but I don't think that they add too much complexity as they are now.

September 2 – 8, 2012 – STOP THE NON-PAYMENT OF TAXES BY BUSINESSES!! 1. Business Entities that owe Federal and/or State withholding taxes at the end of a tax year should not be permitted to withhold payroll taxes for its employees. All employees of that business entity should be given their full payroll check and be responsible to pay their own taxes. Benefit: The Business entity will not incur more new withholding tax debt. This would allow the business entity to work out an installment agreement for its existing debt. Individuals are more responsible to pay taxes. The government collects more money in taxes from individuals than it does from business entities. The government is more effective in collecting taxes from individuals than business entities. Therefore, tax compliance would benefit Service if individuals paid their taxes instead of employers.

August 31, 2012 – Communications between the different sections of IRS and the Tax Collection group is non-existent or disjointed at best. Guidance and direction provided by IRS representatives regarding disposition on tax collection issues have been incorrect but since there is no direct contact or information flow between the IRS representatives providing you guidance and tax collection employees the information is useless. In addition, personnel in the tax collection group appear to have no incentive to resolve issues and focus on collection even if the basis for collection is invalid.

August 27, 2012 – It is very unsettling to see the amount of people having problems with the IRS. I got an AUR letter for the tax year 2009 in March of 2012, realizing my mistake I filed a 1040X for the year 2009 adding the under reported income amount plus expenses. I was told this would be a 8-12 week process so I patiently waited. Today is week 14 and still have heard nothing. After numerous calls to the IRS with NO answers I have filed hardship with the Taxpayer Advocate. Hopefully this will get something done on my refund. This whole process is so frustrating. It would be so nice to be assigned to 1 specific person whom you could rely on to keep track of your case and get you some answers.

I called today and was informed an Action Required had been put in the system on Aug. 13 and on Aug 15th the answer came back from the Action Required that it will take 12 weeks to process my claim!! Needless to say this is ridiculous! Where has it been all this time and why another 12 weeks? I am beyond frustrated at this point. What are my rights????

July 29 - August 4, 2012 – This all really is annoying. I owe around \$2,000 and will probably face garnishment if not paid, while still making a minimal salary. This nonsense is just not fair to hardworking Americans. My daughter has not been able to find a job and I support her. She is (32) years old and I know she could not survive without me. I am not awarded anything for this. I pay for all her necessities and receive no break. Yet, I still have to pay the government. Why? She cannot collect any benefits because of my salary. Even food stamps would give us both an opportunity. I am taking care of an adult without taking anything from the state or government.. Why are there not allowances made for this gesture? Age should be no factor. It feels that the hard working Americans are being punished. Very hurtful and hard to understand why I have worked for over 40 years and this is the end result. When do we enjoy retirement age? In the ground????? Subject: Unpaid personal federal income taxes.

July 29 - August 4, 2012 – BUSINESSES AND CUSTOMER MEET THE TAX DEADLINES AND NOT CHEATING ON THEIR RETURNS SHOULD BE CASH AWARDED WITH A PROMOTION OR INCREASE IN OPENING MORE BUSINESSES. FIRST CHOICE.DONE

July 27, 2012 – I've had 3 correspondence audits for clients in the past 12 months. One was valid, while the other two cited issues that simply were not valid. There is very little support that examiners actually provided. The advocates have been great, but I think it is unfortunate that it falls on your lap. I've also found that the IRS does not always provide 886-A detail on their initial 30 day letters, and then does provide it on the deficiency notice. Unfortunately, I believe that taxpayers without professional representation are going to get duped in to paying these notices, simply because they don't have the sophistication to understand the process.

July 15 – 21, 2012 – I believe that we should do away with the current tax structure and incorporate a flat 9% tax for all. No tax breaks, no tax forms, no more cheating, no more harassing phone calls and letters...etc. Everyone should get treated equally no matter what your income is.

July 8 – 14, 2012 – Instead of having children claimed on taxes for the amount of time they have spent, how about changing it to the amount of money spent on the children. Right now tax law states 50% or more physical instead of 50% or more monetary contribution towards children, since taxes are revolved around finances, not child custody and time spent with children. Many parents can't claim kids because court orders make them pay most of the money, but they don't get to see their children that often, and that's a real tax disadvantage towards the one paying and great advantage to the one claiming the children. It's not a fair system and needs to be looked at further. Thank you!

July 1 – 7, 2012 – My husband and I work like dogs. He works about 60 hrs a week and the same for me. Now that my son graduated from High School, he does not qualify for Pell Grants and all his expenses that we paid out of pocket are not tax deductible. That is very unfair, as it is he basically lived without seeing his parents and on top of that not getting any financial assistance. If both husband and wife work even though they have to file jointly it should not be taxed the way it is. The second income (the wife's) should not be taxed at all or at a very low rate. That shows the sacrifice of the American family. I have friends that rather live together and not get married so the taxes do not eat all their income.

June 27, 2012 – [Note: Personal information omitted to protect privacy] – Nina, Thanks so much for your semi-annual reports. Today's Semi-Annual Report to Congress had wonderful advice for me to use in a correspondence audit (for a Schedule C: send ALL the receipts; they're not kidding; they're allowing 8 days to respond to a 30-day letter) and incredible revelations regarding ITINs that I wasn't aware of. I'll try to incorporate your ITIN observations into a section about ITINs in my forthcoming article to be published in (name omitted). You also provided new information regarding the adoption credit audits that I'm forwarding to someone affected by that sad situation.

June 24 – 30, 2012 – Allow residents of foreign countries to treat tax-free retirement and education savings accounts as tax free in the US: for example, stop taxing Canadian TFSA's and RESPs.

June 24 – 30, 2012 – Tax reform ideas: With or without a major tax reform, one simple thing the IRS could do to relieve many taxpayers and help the economy during any difficult time is to drop all the late filing and late payment penalties during the April 15 to October 15 period. This would also be a correspondence relief for the IRS and taxpayers as only interest would need to be collected if the taxes are unpaid at 4/15, but paid by 10/15. Many of these penalties eventually get abated anyway by the IRS, if there is some reasonable explanation for late filing or penalty. But it does feel like much begging is required many times to get the IRS to understand a taxpayers' plight. There are many reasons that it is often not possible for the taxpayer to know exactly how much he owes at 4/15 and it is often a surprise when he does find out. Why should the IRS immediately compound the problem that these taxpayer's who are short on cash have? Another simplification that could work well with penalty relief is to also make extensions automatic without filing a form as it really only helps the late filers that owe tax anyway. The extension form could become merely a payment voucher if the taxpayer was paying their tax at 4/15. These would be quite dramatic relief to many taxpayers that have to push to find out their liability and try to make adequate tax payments on 4/15. It would essentially move the main deadline to 10/15. It would improve the image of the IRS as kinder and gentler in not slapping penalties on people that are already down on their luck. It would save the IRS money in operations cost. It may help the IRS politically from becoming a favorite target of politicians. It could help some more dramatic reform proposals that would drop income tax from coming to fruition, or otherwise try to eliminate the IRS. This would make the time period around April 15 much more relaxed and have a dramatic effect on the income tax preparation community, which has much of its business in a compressed 2-3 month period of time. Moving the IRA contribution deadline out to August 15 or so would also be a relief.

June 24 – 30, 2012 – EITC: Drop the age limits, we now have many 16 to much older (70's, even 80's) that are currently working for a living (including serving in our military) making within the poverty level (or close to it) income. Why are they punished because they are not 25 yet or because they are over 65. They are still working. Also, allowing single parents within the age limits to claim it only promotes single parenthood (moral issue). Why are they allowed the extra income merely because they made the choice to have a child out of wedlock when they couldn't

6 (continued on next page)

afford it? Recommend re-vamping the EITC (especially for our military persons) who are out there working 2 or 3 jobs to make ends meet and still are making under \$50k and can barely buy food or pay rent, etc. The laws just don't make sense for the lower income single person (my son being one of them). He worked 3 jobs in 2011 and made less than \$25K. Not being 25, he ending up with a "Bal Due" which he couldn't afford to pay. It just doesn't make sense!

June 24 – 30, 2012 – I suggest that any "Amount Due" form letter from the IRS be mandated by law to include an explanation/calculation of the supposed due amount. I just received another of these today (not the first time) and it stated that I owed a certain dollar amount and would be under penalty if I didn't pay. Problem is, there is no explanation at all. No prior letter explained the amount. This system tends to put 100% of the ownership on the taxpayer (meaning, now I have to attempt to contact the IRS without having any inkling on how they figure I owe them money) otherwise, I am automatically penalized and have already received a threat. This is just not right.

June 13, 2012 – [Note: Personal information omitted to protect privacy] – I will begin by saying that I retired from the IRS on [year omitted]. I had joined the service's [name omitted] business operating agency in [year omitted] from [name omitted] agency, shortly before the full roll-out of RRA98. During the next seven years I watched Nina Olson's performance as NTA with growing admiration. After [number omitted] years of Federal Government Service, I believe I know an effective executive when I see one. Which brings me to the subject matter at hand.

In [date omitted] 2011 my [year omitted] return became the target of a "corr exam", specifically over the issue of claimed state sales tax deductions. Admittedly, the rather large amount of my deduction was the reason for the exam, and I have no problem with that aspect of the process. Where I do take exception, however, was with the cursory, incomplete, and inconsistently applied criteria that the "examiner" gave the 200+ pages of supporting documentation requested by the initial notice. Furthermore, all efforts to speak to either the examiner, or someone in authority, have proved futile. So, this morning I called TAS and I now have a case number and assigned TAS office. It's unfortunate that I find it necessary to pursue this path, for two reasons: (1) Had my case been dealt with via a "desk exam", I know resolution would have already been arrived at; and, (2) I'm sure that TAS has more important cases to deal with than this one. The bottom line is that the IRS' reliance on "corr exams" is a disservice to taxpayers. Sustaining exam disallowance findings by default (i.e., non-response to IRS notices from taxpayers) is tax code enforcement "on the cheap"!

April 27, 2012 – Hollow, The idea that a tax payer is being audited by an algorithm is out of this world. Corr exams are impersonal and insulting; after all we the tax payers are being put in a position to believe that what the computer spits out is correct and to fork-out the tax liability of a year past! I do not like it. I do agree that once the initial notice have been issued the IRS should give the tax payer the courtesy of a phone call to clarify any issues and to verbally inform the tax payer of the disposition of the corr exam notice. Thank you.

April 23, 2012 – Having one contact person to work with would [simplify] the response process and make the taxpayer feel they have someone to go to that understands what is going on with their case. They do not have to repeat their case over and over to different IRS employees.

April 22, 2012 – Thank you, Nina, for this excellent series of blog posts and updates. I sincerely appreciate your efforts to widen the discussion and bridge the gulf between the IRS and taxpayers. I am now experiencing first-hand a Corr Examination and am finding it stressful, time-consuming and draining, all of which directly affect my daily income earning as a self-employed taxpayer. The fact that the initial Examination letter (26 pages!) included duplicated pages, obtuse language, demands for documentation that are clearly trivial and not relevant to any of the objections, and an extensive recalculation of my taxes owing based on the presumption that I will agree (I do not and am responding to all objections with the not-free assistance of a tax advisor) all add insult to injury. On the positive side, I can confirm that when I rang the examiner listed on the cover page of the letter I was put through more or less promptly and she did agree to a three-week extension. I will post a more detailed feedback once the examination is complete. In the meantime, I will check your updates regularly - they're very valuable!

April 12, 2012 – My return is small, \$400 processed by a tax professional. The letter I received said to fax to a number the papers in question. The fax number did not work. In trying to find out what was happening, no one knew. I ended mailing the papers requested--3 plus weeks ago. I have no idea if that is what they really needed or if they need more info. I find the IRS overpaid, too many employees who know nothing of anything and everything. I am tired of being on hold, transferred and not getting anywhere except to be told by the person on the phone they don't know anything.

April 5, 2012 – As a Swedish American, residing in Sweden, I find it positive that TAS went to Sweden for guidance. It shows that the TAS really are the “good guys” in the IRS who are trying to be progressive and improve the relationship with taxpayers. While many Swedes will disagree with me, I would say that the majority of Swedes feel that Skatteverket is helpful. This is shown in customer satisfaction surveys in which the Swedish Tax Authority, Skatteverket, comes out as the Number 1 liked public agency. For those Swedes reading this who will disagree with me, my only comment is that it is all relative. Skatteverket, while tough in enforcing tax collection, is reasonable. The experiences in OVDP and OVDI have shown that the IRS is not. As someone who has experienced both the Swedish and American systems, I also rate the Customer Service in the Swedish Tax Authority highly and consider it to be the way tax collection should be done.

Starting in the 1990s, the Swedish Tax Agency took the decision to simplify their tax forms as well as to develop a tough, but respectful relationship with its “customers”. While the US gives lip service to this in various public forums, Skatteverket truly tries to implement it. While no one likes filling out tax forms, I find the Swedish one simple to understand and can submit them electronically. Compared to filling out dozens of pages on my US tax declaration with calculations that are so complicated that I must pay an accountant, my Skatteverket form is 3 pages long and I can make comments to explain or add things I am declaring. While Swedish is the national language, to make it easy for immigrants to understand, the documents and web pages are available in English and a host of other languages. As far as I can tell, the IRS only made the OVDI program information available in a number of languages – just what was needed to scare immigrants into joining. Proof of the more positive approach of the Swedish Tax Agency is that one can find a document called “Right from the Start” on their website along with the necessary form.

The documents cite the Swedish approach based on research into the value of respecting your taxpayers and not declaring them guilty from the start. It can be found on their website: http://www.skatteverket.se/download/18.612143fd10702ea567b80002569/rapport200501_eng.pdf

Additionally, the Swedish Tax Agency has also presented their philosophy at various international conferences. I refer readers to presentations from the conference at the Inter American Tax Center at: <http://www.ciat.org/index.php/en/international-cooperation/international-activities/technical-conferences/ponencias/1450-ponencias-conferencia-2010.html>

Take a look at the Swedish presentation and note what they say in their presentation. Compare that to the lip service the US gives to similar issues. The Swedish Tax Agency states: "Tax morale is about taxpayer's inner motivation to pay taxes. It is about what someone thinks is the right way to handle a situation. As a consequence, it is not possible to force someone to have a certain morale regarding tax issues. What we as tax administrations can do is however to create an environment and a relationship that contributes to voluntary compliance based on knowledge about what motivates taxpayers to comply. It is in this sense; we in the Swedish Tax Administration have built our strategies.

We have a vision "A society in which everyone is willing to pay their fair share" and goals regarding trust and a good taxpayer relation. We aim to get it "Right from the start". There are a lot of drivers affecting taxpayer's compliance behaviour and a recent published OECD note gives a broad overview of research done in this area. The findings indicate that there are a lot of circumstances that affect the taxpayer's behaviour, like deterrence, norms and fairness. Our findings in The Swedish Tax Agency are that we have realized that we in the past underestimated the importance of perceived fairness and trust when it comes to tax morale and inner motivation. We were too focused on what we were doing and did not reflect enough on how we carried out our activities and how our actions were perceived by the taxpayers. We believe we can contribute to a pro compliance environment and increase inner motivation to comply by understanding things from a taxpayer perspective. In this sense we focus on issues like trust, the way we communicate and procedural justice. The way that agencies carry out their work affects people's perception and trust of the agency. It's not the case that agencies like the Swedish Tax Agency who takes money from people are less popular compared to agencies that give money in form of different contributions. In Sweden the result is the other way around, the Tax Agency is far more liked compared to the National Insurance Agency who provide different kind of monetary support." It is good that the TAS feels that they can learn from the Swedish Tax Agency. If only the rest of the IRS felt this way.

March 26, 2012 – I just received a CP2000 concerning mismatched 1099-MISC income from self-employment resulting from use of the accrual accounting system. A face-to-face would almost certainly be more effective than the approx. 1.5 days I have spent documenting why my reported income was correctly accrued. It would allow for questions and answers in an interactive setting. Now I have to mail the form and documents in and sweat it out; I will be away from home a lot and it will make it awkward to respond in a timely fashion. Thank you for your concerns. They are almost certainly justified.

March 20, 2012 – As a longtime IRS employee in multiple customer service areas, I can tell you that the main problem with correspondence audits is the difficulty in getting them to acknowledge receipt of documentation. In an office audit, one can say, "Here's this. Do you need anything else?" That opportunity isn't there with correspondence audits. The problem may have more to do with the mail processing/CIS system at service centers than anything else.

March 19, 2012 – I disagree with the premise- what's worse, a correspondence exam or an in-person exam? Give me (and most other honest citizens) a letter to mail back anytime, rather than going to some IRS office, waiting on slow service.

March 14, 2012 – Correspondence auditors are frustrating for both the preparer and the taxpayer as you never get to speak directly with anyone who is actually handling the case. Often responses and notices cross in the mail and the taxpayer gets upset with receipt of a second notice when the preparer has already responded to the first. We warn our clients this is likely to happen.

March 14, 2012 – I can't see how the IRS can issue and enforce a notice of deficiency when a notice comes back as undeliverable-taxpayer has right to produce the documentation and refute the proposed deficiency. There should always be a single person assigned to each audit, and we should be able to fax the information. This would help avoid the issue of correspondence "crossing in the mail". Besides the legalese, include a bulleted "what to do" to make it clear to the taxpayer.

February 13, 2012 – Just read your outstanding research about "real" vs. "unreal" audits. I was floored by the findings. Keep up the great work protecting the taxpayer...especially those that don't have the means to protect themselves. One thing that was left out is that the states are starting to issue similar "unreal" audit letters--especially in NY. And this does not count the unreal audits that the IRS instigates, and then in turn notifies the taxpayer's state (which leads to a state letter). Thanks.

February 9, 2012 – I am a CPA for 30 years and have had several experiences with correspondence audits. None of these have been good. Every time I send in evidence the file is reviewed by a new person who will either ignore what has been done and effectively re-audit the file or just make a new point as to why the expense is rejected. I have called into the center and spoken with up to four different auditors who have worked on one case and they agree with me on the phone but when the report comes out they have rejected again. I have to discuss the lesser of two evils with my clients, continue to pay my fee to fight or give in to an invalid claim by the IRS and pay the additional tax. This is the equivalent to extortion in my opinion. I have to advocate for my client and we have paid thousands of dollars in fraudulent claims by the IRS.

January 26, 2012 – My experience with about 35% of my clients who find themselves in the AUR process is that IRS asks for supporting data as part of the process thus making the "unreal" audit very real. This is particularly true with 1099 basis issues and debt settlement issues. This procedure is congruent with IRS comments at the Tax Forums.
